



SR-15 Mid-City Station Area Planning Study

Implementation Strategy Report

Submitted to City of San Diego Development Services Department

by IBI Group

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1. INTRODUCTION AND PURPOSE

New bus rapid transit (BRT) facilities and services are being planned for SR-15 in Mid-City as part of the region's efforts to enhance the performance and attractiveness of transit. Included in the improvements are new transit stations at El Cajon Boulevard and University Avenue. The Mid-City Station Area Planning Study is being undertaken by the City of San Diego to take advantage of the planned transit facilities and services to spur land use improvements in the areas near the stations in support of Transit-Oriented Development (TOD).

Funded by a Smart Growth Incentive Program grant from the San Diego Association of Governments (SANDAG), the study aims to develop a vision and identify implementation actions to foster TOD in the study area on both sides of SR-15. The study includes a planning analysis of land use, mobility, and economic considerations to develop plans and policies to support development that makes the most of the increased travel options within this BRT corridor.

This report provides a comprehensive, practical guide to implementing the recommendations of the plan. In doing so, it takes into consideration administrative structure for each type of improvement, the process for both plan and project approval, timing, etc. The report also considers funding options to provide a short, medium, and long-term implementation program. The report is divided into three interrelated sections: multimodal mobility, land use/urban design, and financing.

2. MULTIMODAL MOBILITY IMPLEMENTATION STRATEGY

The mobility analysis conducted for the Mid-City Station Area Planning Study includes a wide range of improvements designed to enhance the access and use of transit, and improve the connectivity and environment for pedestrian and bicycle travel, and mitigate specific transportation impacts resulting from the proposed land uses. (The specific improvements are identified in the Mobility Analysis Report.) Discussion of the types of improvements, the lead agency responsible for them, and the implementation strategy for them is provided in this section.

2.1 Mobility Improvement Implementation

Several types of mobility improvements are recommended for the study area, including.

- Intersection reconfigurations
- Increases in existing local route transit frequencies and extension of existing local routes to the City Heights Transit Plaza
- New rapid services on El Cajon Boulevard and University Avenue
- New bus rapid transit (BRT) freeway level stations on SR-15 at the transit plazas
- New and expanded BRT services on SR-15
- Trolley service on El Cajon Boulevard and SR-15
- Passenger amenity improvements at bus stops along El Cajon Boulevard and University Avenue
- Curb extensions/bulb outs, second ADA curb ramps, and audible pedestrian signals to the SR-15 ramp intersections at El Cajon Boulevard and University Avenue
- Fourth leg crosswalks at the El Cajon Boulevard and University Avenue interchanges with SR-15
- Bulb-outs at key intersections on El Cajon Boulevard and University Avenue
- Bicycle facilities consistent with the Bicycle Master Plan on Orange Avenue, El Cajon Boulevard, University Avenue, Wightman Street, and SR-15

- Bicycle racks at the transit plazas

These improvements will be implemented place through a range of methods. Several will be implemented by regional agencies as part of corridor improvement projects while others can be required as conditions of future development. The improvements, responsible agencies, general timeline, and funding are summarized in Table 1. Specific implementation mechanisms for the City of San Diego are discussed in Section 3.

3. LAND USE/URBAN DESIGN IMPLEMENTATION STRATEGY

The following strategies are proposed to implement recommendations of the Urban Design and Land Use Scenarios.

3.1 Focused Community Plan Amendment

Key to successful implementation of the Urban Design and Land Use Scenarios is the incorporation of many of the recommendations into an adopted community plan. Community plans are policy documents and an extension of the City's adopted General Plan. and are a factor in prioritizing capital improvement projects (CIP). Any CIP must be consistent with the General Plan and the adopted community plan.

The study area is located within the boundaries of the Mid-City Communities Plan, which was adopted by the City Council on August 4, 1998 and subsequently amended on September 23, 2003. There is no schedule for a comprehensive community plan update at this time. It is possible, however, that, subject to the availability of funds, a focused community plan amendment could be processed to consider the recommendations of the Urban Design and Land Use Scenarios for the SR-15 Mid-City Station Area Planning Study.

If and when an update or amendment is prepared, it should comprehensively address the issues identified in the Urban Design Vision Report, including the incorporation of the recommended land use map for the study area.

Lead City Department for Focused Community Plan Amendment:

- Planning, Development Services

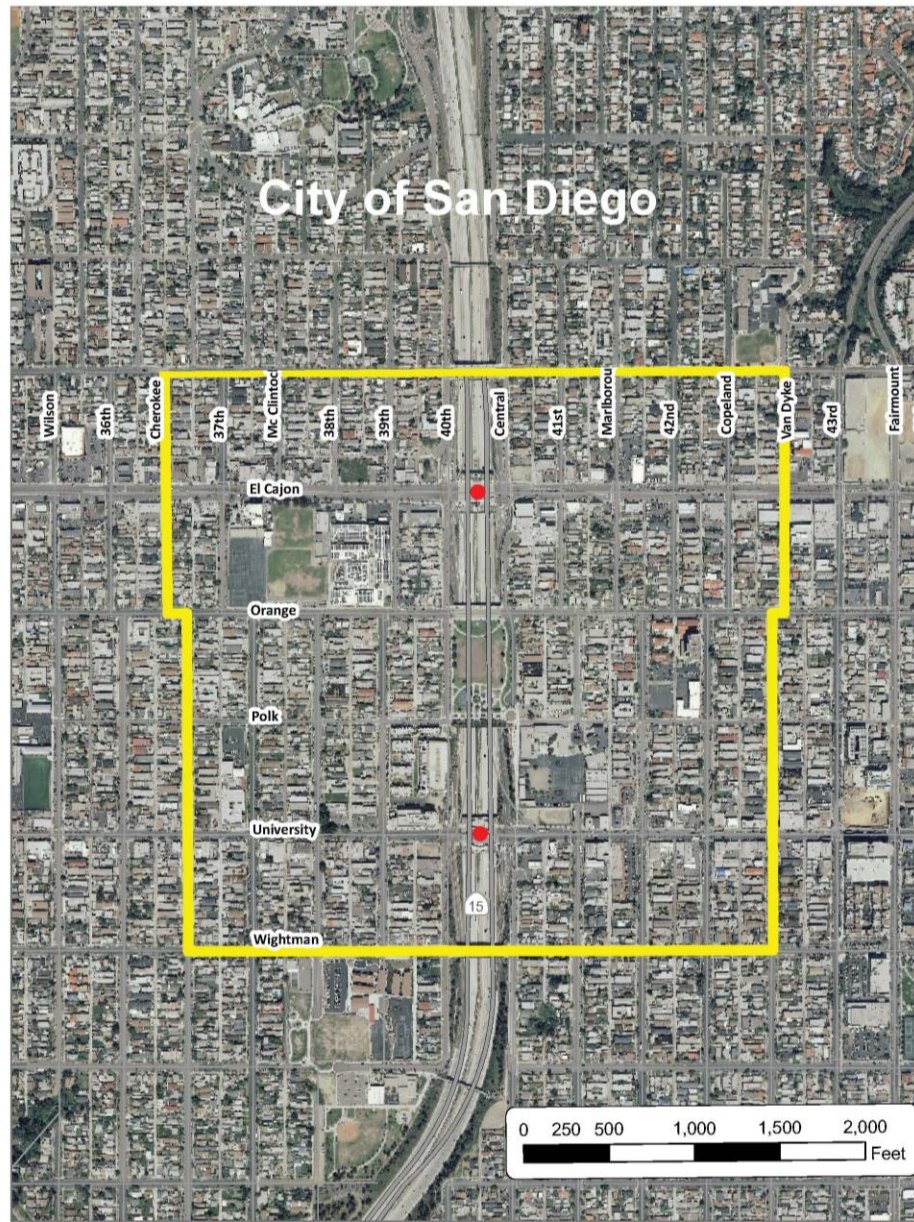
3.2 Central Urbanized Planned District Amendment

To ensure that development proposals are reviewed for consistency with the use and development criteria that have been adopted for the Study Area as part of the focused community plan amendment, the Central Urbanized Planned District (CUPD) regulations (Municipal Code Chapter 15, Article 5, Division 2) should be amended to require a Site Development Permit/Process Three for any development within the boundaries of the area shown in Figure 1.

Table 1 Mobility Improvement Implementation

Type of Improvement	Responsible Agencies	Timeline	Funding
Intersection Reconfiguration	City of San Diego	As development consistent with proposed land uses takes place	Development impact fees
Local Bus Service Frequency and Extension	MTS	By 2035 as specified in the 2050 Regional Transportation Plan	Increased operating cost included in MTS annual budget using funds from local and state sources.
New Rapid and BRT transit services	SANDAG and MTS	By the 2020 decade as specified in the 2050 Regional Transportation Plan	Capital project funding through SANDAG. Operating cost included in MTS annual budget using funds from local and state sources.
New BRT stations in SR-15 median	SANDAG and MTS	Scheduled to open by 2014-15	Funded through SANDAG. Current allocation in OWP needs to be augmented.
Trolley Service on El Cajon Boulevard	SANDAG and MTS	Built in phases. First phase to be open by 2035	Capital project funding through SANDAG. Operating cost included in MTS annual budget using funds from local and state sources.
Bus Stop Improvements	MTS	As development consistent with proposed land uses takes place	Development impact fees
Pedestrian crossing improvements at SR-15 ramp intersections	SANDAG	Scheduled to be in place with the opening of the BRT stations in 2014-15	Funded by SANDAG as part of the SR-15 BRT project.
Bulb outs at key intersections on University Avenue	City of San Diego	As development consistent with proposed land uses takes place	Development impact fees
Bicycle facilities in key corridors	City of San Diego and SANDAG	To be determined through City and SANDAG budget process	Funding through City CIP & SANDAG regional funds
Bike racks and other amenities at transit plazas	City of San Diego, Caltrans & SANDAG	As development consistent with proposed land uses takes place	Development impact fees

Figure 1 Project Study Area



LEGEND

- Proposed BRT Stations
- Project Study Area



Source: SANGIS, Lenska Aerial Imagery, IBI Group



City of San Diego City
Planning and Community Investment
February 2011

FIGURE 1
Project Study Area
SR15 Mid-City BRT Station Area Planning Study

TBG040711083819SCO420343.01.03 Figure1_ProjectStudyArea.ai 4/11

Lead City Department for Central Urbanized PDO Amendment:

- Land Development Code, Development Services

3.3 Project Review

Upon amendment of the CUPD as discussed above, development proposals within the area shown in Figure 1 would be subject to a Site Development Permit/Process Three and would be reviewed for consistency with the use and development criteria that have been adopted for the area.

Pursuant to Municipal Code §112.0505, an application for a permit acted upon in accordance with Process Three may be approved, conditionally approved, or denied by a Hearing Officer. Pursuant to Municipal Code §112.0506, the Hearing Officer's decision may be appealed to the Planning Commission.

Fees collected as part of the permit process would fund the program.

Lead City Department for Project Review:

- Entitlements, Development Services

3.4 Capital Improvements Program

The Capital Improvements Program (CIP) is a major part of the budget adopted annually by the City of San Diego. The CIP Budget allocates existing funds and anticipated revenues to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This budget supports the design and construction of a wide range of infrastructure improvement projects and other significant capital infrastructure investments. Relevant to this Study, projects include the development of park land, acquisition of land for City use, installation of traffic signals or street lighting systems, improvement of street systems, and construction or renovation of City facilities. These funds are derived from various sources, including a one-half-cent local sales tax for transportation improvements (TransNet and TransNet Extension), development impact fees, sale of City-owned property, and State and federal grants, including Community Development Block Grant (CDBG). The issuance of bonds is typically made for capital projects to address deferred maintenance.

Council Policy 800-14 establishes an objective process for ranking CIP projects to allow decision-makers to have a basis for choosing the most compelling projects for implementation.

For all non-transportation projects, the following are the prioritization factors (listed in order of importance):

1. Health & safety effects
2. Regulatory or mandated requirements
3. Implication of deferring the project
4. Annual recurring cost or increased longevity of the capital asset
5. Community investment
6. Implementation (degree to which the project is in compliance with the General Plan, Community Plan, or approved City-wide Master Plan)
7. Project cost and grant funding opportunity
8. Project readiness

For transportation projects, the following key prioritization factors will be used in lieu of the above factors:

1. Health & safety
2. Capacity & service (mobility)
3. Project cost and grant funding opportunity
4. Revitalization, community support & Community Plan compliance
5. Multiple category benefit
6. Annual recurring cost or increased longevity of the capital asset
7. Project readiness

The following projects recommended by the Urban Design Vision should be considered for inclusion in the Capital Improvements Program:

El Cajon Boulevard Improvements

The following improvements as shown in Figures 16 and 17 of the Urban Design Vision and Land Use Scenarios:

- Maximum of two through lanes of traffic in each direction with left turn lanes as required; (will need to review this proposal closely to ensure it is consistent with the traffic modeling results)
- 12 foot-wide sidewalks with street trees;
- Street furnishings including benches, trash containers, and bike racks;
- Street pedestrian-scaled street lighting with hanging flower baskets and banners;
- Parallel parking;
- Dedicated bike lanes between the sidewalk and parallel parking;
- Retention of current median with enhanced landscaping;
- Enhanced crosswalks; and
- Pedestrian bulb-outs at crosswalks.

University Avenue Improvements

The following improvements as shown in Figures 18 and 19 of the Urban Design Vision and Land Use Scenarios:

- Maximum of two through lanes of traffic in each direction;
- 10 foot-wide sidewalks with street trees;
- Street pedestrian-scaled street lighting with hanging flower baskets and banners;
- Parallel parking;
- Enhanced crosswalks; and
- Pedestrian bulb-outs at crosswalks.

El Cajon Boulevard and University Avenue BRT Station Area Enhancements

The following improvements as shown in Figures 8 and 9 of the Urban Design Vision and Land Use Scenarios:

- Enhanced tree plantings and landscaping;
- Portable kiosks offering convenience items and travel necessities;
- Unique and attractive station pylon/markers;
- High quality banners, graphics and branding;
- Resilient, decorative paving materials; and
- High quality, well-defined pedestrian crossings.

Lead City Department for the Capital Improvements Program (CIP):

- Financial Management

3.5 Recommended Actions Consistent with Existing Regulations and Policies

The following actions are consistent with existing City regulations and policies and could be implemented immediately as first steps in upgrading the study area.

PROHIBITION OF CARS FOR SALE ON STREETS

The Urban Design Vision recommends a prohibition of cars for sale on El Cajon Boulevard and University Avenue.

Pursuant to Municipal Code §86.23.1, a request should be made to the City Council to adopt a resolution designating El Cajon Boulevard and University Avenue as streets where City staff would have the authority to issue a notice of violation to any vehicle which because of a sign or placard on the vehicle, it appears that the primary purpose of parking the vehicle at that location is to display to the public that the vehicle is for sale. The ordinance also allows the subsequent removal of a violating vehicle.

Possible Lead Organizations:

- El Cajon Boulevard Business Improvement Association (BIA)
- City Heights Community Development Corporation (CDC)
- City Heights Business Association

REMOVAL OF SIGNS ON SIDEWALKS

The Urban Design Vision recommends the removal of signs on sidewalks to reduce visual blight and pedestrian conflict.

The placement of signs within the public right-of-way is a violation of the City's sign regulations pursuant to Municipal Code §142.1206. Signs placed on the sidewalk should be reported to City of San Diego Neighborhood Code Compliance. Any member of the public can report a violation and/or request an investigation.

Possible Lead Organizations:

- El Cajon Boulevard Business Improvement Association (BIA)
- City Heights Community Development Corporation (CDC)
- City Heights Business Association

City Action Department:

- Neighborhood Code Compliance, Development Services

INTERIM IMPROVEMENTS TO EL CAJON BOULEVARD AND UNIVERSITY AVENUE

In recognition of the limited funds for capital improvement projects, the Urban Design Vision recommends that the City and the neighborhood work together to make the following interim improvements to El Cajon Boulevard and University Avenue:

1. Re-stripe lanes to narrow their width and calm traffic;
2. Add bike lanes and sharrows; and
3. Improve crosswalks with re-striping.

Implementation of the proposed interim improvements is under the jurisdiction of the Transportation Engineering Division of the Transportation and Stormwater Department. Requests to study and implement these improvements should be made to the Division.

City Implementing Department:

- Transportation Engineering, Transportation and Stormwater

STREET TREES

Also in recognition of the limited funds for capital improvement projects, the Urban Design Vision recommends that the City and the neighborhood work together and enlist schools and volunteer organizations to plant street trees.

Council Policy 200-05 establishes guidelines for the planning of trees in street rights-of-way. According to the policy, the Park and Recreation Department shall specify or approve the species and locations of trees to be planted in the street rights-of-way in accordance with the standards and criteria in the City's Landscape Technical Manual. The Park and Recreation Department will charge no fees for permits for street tree planting.

The policy stipulates that "after planting of a tree in the street right-of-way, the owner of the adjacent property shall be responsible for watering and fertilizing unless an assessment district has been formed to provide the required landscape maintenance."

The policy also states that the Park and Recreation Department shall be responsible for trimming street trees as required for public safety unless an assessment district has been formed to provide the required landscape maintenance."

Possible Lead Organizations:

- El Cajon Boulevard Business Improvement Association (BIA)
- City Heights Community Development Corporation (CDC)
- City Heights Business Association

City Approval Department:

- Park and Recreation

STREET FAIRS, FESTIVALS, MARKETS

The Urban Design Vision recommends the promotion of farmers' markets, street festivals and street fairs.

Municipal Code Chapter 2, Article 2, Division 40 establishes a process for permitting Special Events conducted by the private sector to use City Streets, facilities or services.

The ordinance recognizes that these Special Events enhance the San Diego lifestyle and provide benefits to the citizens through the creation of unique venues for expression and entertainment that are not normally provided as a part of governmental services.

Possible Lead Organizations:

- El Cajon Boulevard Business Improvement Association (BIA)
- City Heights Community Development Corporation (CDC)
- City Heights Business Association

Permit Issuer:

- Office of Special Events

JOINT USE OF SCHOOL GROUNDS FOR RECREATION

The Urban Design Vision recommends the "joint-use of school facilities for children's play areas, multi-purpose turf areas, multi-purpose courts, and sports fields." There are two public schools within the study area: Central Elementary at 4063 Polk Avenue and Wilson Middle at 3838 Orange Avenue. A joint use agreement has already been adopted for Wilson Middle School. In addition, a joint use agreement is in place for the use of Cherokee Point Elementary, which is located just south of the study area.

Pursuant to Council Policy 700-35, "City Development of School Sites for Park Purposes," a "Memorandum of Understanding Between City of San Diego and San Diego Unified School District for Development and Maintenance of Joint Use Facilities" (Council Resolution 297149) was adopted "to provide the foundation upon which future Agreements and renewal of existing Agreements will be based." The MOU includes joint use development criteria, equity of contribution, financial contribution, and calculation of maintenance responsibility.

While Wilson Middle School is currently well used for recreation, improvements could be made to enhance its ability to provide recreational opportunities. The community's concerns relate to the lack of lighting on 37th Street and the need for design improvements to create a more inviting joint use facility. In addition, an entry point is needed along El Cajon Boulevard to enhance access from

communities north of El Cajon Boulevard. These are operations and maintenance issues with the lead agencies being the City's Park & Recreation Department and the San Diego Unified School District. Active efforts are needed to work with these agencies to plan and implement improvements to address these concerns.

Possible Lead Organizations:

- El Cajon Boulevard Business Improvement Association (BIA)
- City Heights Community Development Corporation (CDC)
- City Heights Business Association

Approving Department/Agency:

- Park and Recreation
- San Diego Unified School District

3.6 Revised Regulations and Policies

The following actions require revisions to existing regulations and/or policies.

RAY HUFFMAN-STYLE APARTMENTS ENHANCEMENTS

To improve the impact of the Ray Huffman-style apartments in the study area, the Urban Design Vision recommends replacing front yard parking with lawn and landscaping, removing the curb cut, and providing angle or head-in parking in the street.

Regulations and policies would need to be prepared and adopted to implement this recommendation. The Central Urbanized Planned District regulations should be amended to allow the removal of front yard parking with a Neighborhood Use Permit (NUP). At a minimum the NUP should be subject to the following conditions: 1) an acceptable landscape plan for the front yard; 2) determination that the fronting street has adequate width to allow angle or 90 degree parking; and 3) the provision of angle or head-in parking in the street.

Lead City Department:

- Entitlements, Development Services

Other Participating City Departments:

- Transportation and Storm Water
- Planning, Development Services

Other Participants:

- City Heights Area Planning Committee
- Kensington-Talmadge Planning Group
- Normal Heights Community Planning Group

Other Potential Participants:

- El Cajon Boulevard Business Improvement Association (BIA)

- City Heights Community Development Corporation (CDC)
- City Heights Business Association
- WalkSanDiego
- San Diego Bicycle Coalition

Decision Makers:

- Planning Commission
- City Council

ADDITIONAL PARKING IN RESIDENTIAL AREAS

To provide additional parking in residential areas, the Urban Design Vision recommends the identification of residential streets of sufficient width to allow angle parking, head-in parking, or parking in center of streets and the implementation of such projects.

Implementation of these parking improvements is under the jurisdiction of the Transportation Engineering Division of the Transportation and Stormwater Department. Requests to study and implement these improvements should be made to the Division.

Possible Lead Organizations:

- El Cajon Boulevard Business Improvement Association (BIA)
- City Heights Community Development Corporation (CDC)
- City Heights Business Association

Other Potential Participants:

- City Heights Area Planning Committee
- Kensington-Talmadge Planning Group
- Normal Heights Community Planning Group

Participating City Department:

- Planning, Development Services

City Implementing Department:

- Transportation Engineering Division, Transportation and Stormwater

INTERIM USE OF VACANT CITY-OWNED PARCELS

Five parcels within the Study Area are owned by the City of San Diego. Two parcels are located on the north side of El Cajon Boulevard in the CU-2-4 Zone, two parcels and one parcel are located on the north and south side, respectively, of University Avenue in the CU-2-3 Zone. Until the parcels are developed, the Urban Design Vision recommends that they be utilized as public plazas, pocket parks, community gardens and/or outdoor markets.

Council Policy 700-34 recognizes the value of developing Vest Pocket Parks of 5,000 square feet or more in size within a deficient Community Plan Area. The community should work with Real Estate

Assets and Park and Recreation to determine which parcels would be suitable for Vest Pocket Parks.

Council Policy 700-12 allows direct negotiation with nonprofit organizations for the use of City-owned lands for the purpose of providing the community with cultural, recreational, educational enrichment, and other public services to the citizens and visitors of San Diego. Nonprofit organizations could be formed to pursue a lease of City property for a community garden and/or outdoor market pursuant to the Policy. Municipal Code §155.0238, which establishes uses regulations in the Central Urbanized Zones, allows community gardens as a use permitted with limitations in the CU-2-4 and CU-2-3 Zones. The regulations also allow on-site sales in the commercial zones.

Lead City Department:

- Real Estate Assets

Other Participating City Departments:

- Park and Recreation
- Planning, Development Services

Other Participants:

- City Heights Area Planning Committee
- Kensington-Talmadge Planning Group
- Normal Heights Community Planning Group

Other Potential Participants:

- El Cajon Boulevard Business Improvement Association (BIA)
- City Heights Community Development Corporation (CDC)

Decision Makers:

- Real Estate Assets
- Park and Recreation
- California Department of Finance (for properties previously owned by the city redevelopment agency)

UTILIZATION OF EXISTING KIOSKS AT BRT STATIONS

Currently the kiosks at the BRT stations are not being utilized. The Urban Design Vision recommends that the City and the community should work with Caltrans on the issuance of Caltrans permits to allow the use of the existing kiosks located on the decks at El Cajon Boulevard and University Avenue.

Lead City Department:

- Economic Development, Development Services

Other Participating Agencies:

- Caltrans
- MTS
- SANDAG

Other Potential Participants:

- City Heights Area Planning Committee
- Kensington-Talmadge Planning Group
- Normal Heights Community Planning Group
- El Cajon Boulevard Business Improvement Association (BIA)
- City Heights Community Development Corporation (CDC)
- City Heights Business Association

Decision Makers:

- Caltrans
- Economic Development Department
- California Transportation Commission
- California Department of Real Estate Assets

4. FINANCING STRATEGY

4.1 Purpose of the Implementation Strategy

The City is seeking to create new Transit-Oriented Development (TOD) along the El Cajon Boulevard and University Avenue corridors at SR-15, as well as spur overall corridor revitalization, in conjunction with the commencement of future SR-15 BRT service. New TOD projects would also further the City's existing Community Plan strategy to create a Pilot Village in the area. Creating new TOD and other revitalization is expected to require a range of public-private partnerships as well as direct investment by the City in public improvements and other actions.

This implementation strategy outlines the potential development opportunities by product type and phase, implementation challenges that will need to be addressed, and a strategy for how the City can pursue targeted uses and projects, as well as necessary funding.

Implementation measures related to zoning, design standards, and other planning controls are not addressed in this memorandum.

4.2 Planned Development and Phasing

Market analysis identified the potential, through 2030, for an increase to existing development in the Plan area of up to 3,300 new dwelling units and up to 600,000 square feet of new commercial space, including retail, services, and office space, as long as commensurate facilities and infrastructure is provided. The local market in the Plan area has supported much lower development activity over the past decade, with most new residential and commercial uses consisting of affordable housing or community-serving facilities built by mission-driven organizations. East of the Plan area, Price Charities has successfully developed a new retail

center that has attracted national tenants. The 92- unit City Heights Square mixed-use project built by Price Charities in the same area has experienced strong success in leasing its market rate units as well as its ground floor retail space, and suggests the potential for this type of development in the Plan area (although Price's project was made feasible by its willingness to accept a below market rate of return as a programmatic investment related to its mission).

For implementation purposes, potential new development is likely to be spread over as many as four distinct phases spanning up to 20 years. Due to current weak market conditions and a lack of current development activity, new development in the first phase may be relatively modest, increasing as market potential is demonstrated by successive projects. Construction and opening of the new BRT has the potential to spur private investment interest.

The market and financial feasibility analysis findings on current market conditions, and the impact of high values for land and existing improved properties, suggest that development opportunities are likely to evolve over time in the following manner:

- Projects with the greatest near-term potential will involve rental residential on vacant sites or low-value existing improvements. Mixed-use projects are likely to be on sites of approximately three-quarters of an acre or greater that allow efficient design of podium or above-grade parking. Mixed use projects may seek to reduce the amount of retail area until retail market conditions improve.
- Residential ownership in the near-term is likely to only be feasible as affordable ownership projects, based on the availability of funding.
- As rental rates for residential and retail increase, it will be possible to develop mixed-use projects with greater amounts of ground floor retail, and on sites that have existing improvements of moderate value. Interest in redevelopment of difficult smaller parcels of one-half acre or less is more likely to grow as larger parcels are successfully developed. Increases in for-sale prices would make condos feasible.
- The projects that will achieve feasibility only in the longer-term would include redevelopment of sites with existing two-story or taller residential buildings, as well as for-sale townhouse units. Even in the long-term, parcels with existing single-family residences are unlikely to develop due to the cost and difficulty of assembling sufficient parcels to create large enough sites for new projects.

Not included in the analysis is the potential increase in demand that would be generated by a future Light Rail Transit (LRT) line on El Cajon Boulevard from Downtown and San Diego State University that would run through the Plan area. The LRT line is included in the Regional Transportation Plan for 2035 or beyond. Based on the experience of other LRT lines and the higher transit ridership they support, the project should spur additional TOD, including denser mixed-use projects. However, the 20+ year timeframe for the new LRT line means that the market will not factor it into near- or medium-term investment decisions for new projects or businesses. It is assumed that additional planning would occur closer to 2035, or the timing of construction of the LRT line, that addresses how to leverage its benefits for additional TOD that supports community objectives.

ROLE OF CATALYST PROJECTS

The Plan area remains a pioneering location for privately developed market-rate mixed-use development. While the financial feasibility shows this type of project can be feasible for private investors without City assistance, perception of risk often stop otherwise feasible projects from occurring. The City should consider entering into a public-private partnership with an initial project to help the developer mitigate risk (e.g., through City assembly or contribution of land). Such a project, once successful, can stimulate interest from other developers seeking to replicate that success, without City involvement.

The City's commitment to public infrastructure investments complements and enhances new private investment. Initial public improvements should be matched to areas that are the most likely locations for a catalyst project and other early developments. Such locations include vacant and underutilized lots on El Cajon Boulevard west of SR-15 to 38th Street, and vacant lots and small buildings in poor condition on University west of SR-15 to 38th Street, along with other scattered site vacant lots and minimally used properties throughout the Plan area.

4.3 Implementation Challenges and Potential City Actions

The implementation of the Plan will face a number of challenges. The City can address these challenges in a variety of ways, either directly, through a new subsidiary, and/or in collaboration with the City Heights Community Development Corporation and other local non-profits.

ELIMINATION OF REDEVELOPMENT

The elimination of redevelopment has both taken away a primary funding source for revitalization (through tax increment finance) and eliminated the City's organizational capacity for land acquisition and assembly, public-private partnership development, and design and implementation of public improvements. Consideration is underway within the City on how to replace these lost capacities, as well as in the State Legislature on how to create successor funding mechanisms that can support revitalization, affordable housing, and other projects.

A successor agency, Civic San Diego, has been established and has the potential to assist with public improvements, public-private partnerships, and other actions to support new TOD and corridor revitalization. While Civic San Diego currently has a more limited role and less funding compared to the previous redevelopment agency, the potential exists to build upon the previous efforts of the Redevelopment Agency, and utilize various types of assessment districts and grant sources, as described elsewhere in this section of the Report.

LAND ASSEMBLY

The small size of existing study area parcels makes land assembly difficult and time-consuming. Because of these challenges, developers are often unwilling to enter into projects that require significant land assembly. While cities possess the power of eminent domain, its use tends to generate significant public opposition that can stall projects. For these reasons, land assembly is most effectively done on a willing seller basis. Implementation of the Plan would not involve use of eminent domain, except for specific property needed for critical public infrastructure and improvements that cannot be obtained on a willing seller basis, pursuant to State law.

The City should take an active role in facilitating land assembly in the Plan area, through a combination of facilitating joint ventures between property owners and developers, option agreements, and to the extent funding is available on an outright purchase basis. Investments in land can be recouped from future sales to developers.

PARKING

The City's existing Transit Area Overlay zone reduces parking requirements in the Plan area, thereby enhancing the feasibility of mixed-use development. Additional measures to further enhance feasibility of mixed-use development could include providing credit for parking spaces along the street frontage of a property, as well as encouraging shared parking between adjacent projects or properties within a block or street corridor.

Based on funding availability, there may be the potential to create one or more moderate size off-street public parking garages in order to provide an off-site area for developers to meet some of their parking requirements. This could increase the feasibility of some projects by allowing developers to construct a larger building on their site. The cost of such a parking area could be recovered from selling credits to developers that could be applied to their project parking requirements.

DEVELOPER RECRUITMENT STRATEGY

The Plan envisions a range of small to medium sized development projects from approximately \$7 million to \$30 million or more in project value. This is too small to attract larger developers, but at the same time many of the projects would be too large for smaller developers. The challenges of creating new TOD projects in an unproven area call for developers with previous experience successfully doing similar projects.

There are a number of small to mid-size developers who have specialized in creative revitalization of smaller urban areas in the region and California. The City, through its economic development division, should work to compile a mailing list of targeted developers it would like to attract, and commence a marketing program to introduce the Plan and its implementation, offer familiarization tours, assist with identification of prospective sites and available properties, and provide continuing updates on the Plan area's progress, new activities, and evolving opportunities.

RETAILER RECRUITMENT STRATEGY

The Plan envisions augmenting the already dynamic mix of existing area retailers along University Avenue with more retail along El Cajon Boulevard, in order to provide a broader range of goods at a range of price points that attract different community members. Experienced retailers in the San Diego region that operate one or more locations, and are potentially interested in expanding their businesses, are prime prospects for the early rounds of leasing in an emerging area. These types of retailers have the experience to know how to attract customers, and understand local residents and their interests. At the same time, these are not the types of retailers who may be identified or respond to typical leasing programs for new centers, nor are they the types of tenants that leasing brokers necessarily target.

Other smaller retail districts have successfully engaged retail recruiters to develop and implement retailer recruitment strategies. Such strategies seek to identify and engage strong local retailers

and determine the types of new retail business that most interest them, and then match that interest with available spaces. Retention by the City of a retailer recruitment specialist could complement the leasing activities that would be undertaken by individual developers.

4.4 Public Improvements and Funding Sources

While private development is the primary mechanism for TOD and mixed-use development in the Plan area, it cannot be attracted without assembly of large enough sites for projects, as well as public improvements and rehabilitation for streets and streetscape; parking; and other necessary infrastructure. These public actions and improvements are needed to help leverage private investment and reduce perceived risk for developers and their investors.

There are a variety of financing tools available to cover the cost of City actions and public improvements. These include developer-financed improvements and land dedications pursuant to development agreements, public-private development partnerships that reimburse the City's cost of assembling developable sites, and other types of public-private partnerships that result in improvement projects such as parking lots that increase the feasibility of development on nearby properties.

There are also a variety of public financing sources constituting a combination of debt (i.e., bonds) and grant sources that would be considered for the financing plan. These sources would either utilize new fiscal revenues generated by projects in the study area (property taxes, sales taxes), new fees, as well as funds from federal, state, or regional grant programs for eligible projects, most of which are administered by SANDAG.

There are, in addition to the sources shown below, general obligation bonding sources that could be used. However, since these would rely upon commitments from existing General Fund sources, they are not included here because of the challenges of approval and existing constraints upon the City's General Fund.

POTENTIAL CITY SOURCES

Tax Increment Financing (TIF). The one remaining tax increment financing tool that remains after elimination of redevelopment is Infrastructure Financing Districts (IFD). Although IFDs have been authorized by California law for a number of years, they were little used prior to the recent elimination of redevelopment. One of the most recent examples is the City of San Francisco's creation of the Rincon Hill IFD (for a district with less than 12 property owners) to implement the Rincon Hill Plan goals to create a new high density housing district. The Port of San Francisco was able to have the Legislature pass simplified approval procedures for new mixed-use development on Port property. However, a challenge for wider use is that the existing process for create an IFD is cumbersome, making it problematic to implement this tool, with requirements for concurrence from other jurisdictions that receive property tax revenues, as well as a vote within the proposed IFD area.

Legislative discussions are underway on revisions to the IFD statute to make it more usable (and the Port of San Francisco previously obtained special IFD authority to further its waterfront revitalization projects). Given concerns over the impact of tax increment finance to schools and counties, any future IFD may be limited to the City's share of new increment (12.6 percent of the base one percent of property taxes).

Current legislation (SB1) would allow creation of Sustainable Communities Investment Authorities, which would allow creation of TIF districts to further sustainable projects consistent with AB32 and SB375, including transit-related projects and TOD. If the legislation is approved in the current session (it failed in the previous session) it would provide cities with a new TIF authority. However, the available amounts would likely be limited to the City's share of new tax increment, unless the County, school districts, and other property tax-receiving entities voluntarily elect to participate in such a district.

Local Share of New Sales Tax Receipts. New retail in the Plan area could generate substantial new amounts of sales tax receipts for the City's General Fund, based on the one percent share received by local governments. Conceptually, these proceeds could be used to help finance some of the public improvements for Plan area revitalization that help attract those businesses. To be clear, there is no direct ability to bond against the annual increment of new sales tax proceeds, rather the City could choose to use the added increment to fund capital improvements in the Study Area, either by reimbursing itself for up-front improvements or performing annual projects.

Another approach, suited to projects or tenants that are large generators of sales tax revenue, is a sales-tax reimbursement agreement. For example, the City of Livermore, CA has a General Plan policy that allows it to contribute a portion of its future sales tax receipts from a project towards improvement costs if the project meets a threshold level of sales tax generation (for Livermore, the figure is \$1 million per year). This type of reimbursement agreement has been used by the City to successfully attract a major new outlet shopping center, as well as several automobile dealers. Although this has not yet occurred, conceptually such an agreement could also be entered into with a manufacturer or seller that generates business-to-business taxable sales (since sales tax is paid by an end user, even for goods used in the course of business, such as computers, communications systems, etc.).

A projection of potential IFD tax increment based on only the City's share of new tax increment, and new sales tax proceeds, is shown below in Table 2:

Table 2 Conceptual IFD Tax Increment, Sales Tax Generation

IFD Tax Increment	
New Residential Development - units	3,300
New Commercial Development - sf	600,000
New Assessed Value	\$576,000,000
Net of Existing Assessed Value	<u>(\$123,750,000)</u>
Net Increase in Assessed Value	\$452,250,000
City Share at 12.6% of 1% Property Tax	\$569,835
Potential Bondable Amount	\$6,000,000
Potential Sales Tax Generation	
Sales Tax Generating Uses - sf	\$300,000
Sales per sf/year	<u>\$350</u>
New Taxable Sales/year	\$105,000,000
Local Share of Sales Tax at 1%/year	\$1,050,000

Valuation assumptions per financial feasibility analysis.
See narrative for additional explanation.

Source: BAE, 2012.

Valuation is based upon previous financial feasibility analysis assumptions. Half of the commercial space is assumed to be occupied by sales tax generating uses, with the balance occupied by non-tax generating retail (e.g., food stores), services, and office uses. This illustration assumes that the average existing assessed value for sites that are developed is \$150 per square foot.

Affordable Housing Funds. The elimination of redevelopment also eliminated the previous set-aside of 20 percent of new tax increment funds. Legislation has been approved by the State Senate to allow cities to hold on to existing balances in redevelopment housing set-aside accounts. The City of San Diego has elected to act as the successor agency to the Redevelopment Agency, and in that role will decide how to expend available affordable housing set-aside funds. The expenditure of these funds will be limited to the existing requirements of Community Redevelopment Law that have previously guided spending decisions on affordable housing set-aside funds.

Other legislative proposals would create new funding sources, through a transfer recording fee or other mechanism, to fund future affordable housing. New sources for affordable housing funds, combined with existing affordable housing finance sources, could support new affordable home ownership opportunities, as well as affordable rental units. As of the date of this plan, State funding sources for affordable housing are in flux and it is not possible to predict the specific mechanisms and amounts that would be available. The San Diego Housing Commission currently is responsible for managing HUD affordable housing funds and other grant sources, and the City could potentially direct it, or another entity, to manage new affordable housing funds.

Assessment Districts (including Mello-Roos). Assessment districts provide a mechanism for property owners to choose to levy an additional tax upon themselves for identified purposes. California law allows the creation of assessment districts for a wide variety of purposes; these can either fund capital improvements, or be established for operating costs (such as a lighting and landscaping district). Mello-Roos community facilities districts (CFD) are a type of assessment district that is usually established prior to subdivision of land for development, in order to finance the construction of new infrastructure to serve that development. A 2007 study for the North County Transit District previously identified the concept of establishing a CFD to facilitate TOD-related public investments, however since that study no TOD CFD districts have been implemented in the County.

The recent adoption of a CFD to finance the Downtown Los Angeles Streetcar is one of the few urban CFD districts and may have more relevance for capital improvements in the Study Area. Historically, CFDs have not been attempted in urban areas because of the large number of existing property owners who would be expected to be unwilling to pay an additional amount in property taxes. However, the proposed Downtown Los Angeles Streetcar CFD streetcar area encompasses an area whose residents are primarily renters, and it was their support that enabled the CFD vote to meet the two-thirds threshold. This suggests the potential for CFDs in other urban areas with a high proportion of renters, such as Mid-City, where residents see a benefit from the proposed improvements.

It should be kept in mind that total property taxes can only rise a certain amount before new development is disadvantaged relative to properties not subject to an assessment.

Development Impact Fees. Impact fees are fees levied upon new development to mitigate the effects of that development. Establishment of an impact fee requires documentation through a study that meets the requirements of AB1600 for establishment of a clear nexus between the fee to be collected and the improvements that will mitigate the impact of development (nexus study).

The City already has a range of impact fees that would be charged against new development in the Plan area. Existing City impact fees for transportation could be amended to help finance the cost of transportation improvements identified by the Plan, and if necessary new impact fees could be established for streetscape and other improvements pursuant to the adoption of a nexus study pursuant to AB1600. However, limits on how much impact fees can be increased without burdening development feasibility may affect use of this tool, particularly in softer market conditions when developers seek fee waivers.

Another recent example of using new development impact fees to fund transportation improvements is the San Joaquin Hills Transportation Corridor Agency in Orange County. The San Joaquin Hills (SR 73), Foothill (SR 241) and Eastern (SRs 241/261/133) Toll Roads it built were the first public highways to be constructed in Orange County since 1987, and were funded through a combination of tolls and development impact fees levied on projects that will generate use of the new highways.

City Capital Improvement Program. The City's ongoing CIP program could be used to close Plan implementation financing gaps that cannot be addressed through use of other sources. This is a "last resort" source as the existing CIP program is underfunded. However, ultimately the increases in the City's tax base from new development after needed improvements have been made would generate additional money for the City's General Fund that could be used for the CIP or other uses. The City's current CIP program includes a wide variety of street corridor improvements, bikeways, and other neighborhood improvements.

Federal and State Grant Programs

The Federal and State governments provide a wide range of competitively awarded grant funds for projects. Categories of projects funded by grants include:

- Federal transportation and congestion related improvements that benefit transit, encourage alternative modes of travel. The new MAP-21 transportation funding law continues most of these types of programs that were funded through the previous SAFETEA-LU law, albeit at a lower funding level. Federal sources often have a 20 percent local matching funds requirement.
- Economic development and neighborhood improvement grants for public facilities, including those addressing blight and benefiting lower or moderate income persons, such as CDBG Section 108 funds.
- State initiative funds. Proposition 1B has some remaining funds for congestion-related improvements.
- Environmental enhancement programs; some that address air quality or highway landscape may provide opportunities for the future transit corridor.

A selection of various grant sources is appended to this document; however, it should be noted that their applicability to a particular project will need to be evaluated based on the specifics of how well the project meets the eligibility of the particular source.

Once a public improvement program has been finalized, the specific elements can be matched against grant programs to identify those that have the most potential to provide grant funding. This would involve coordination with SANDAG in its role as the region's grant clearinghouse, coordinator, and administrator of grant awards.

OTHER SOURCES

New Markets Tax Credit. The census tracts for the Plan area are eligible for use of the New Markets Tax Credit. Although currently expired, this program is expected to be reauthorized in the near future. This federal program provides a structured financing technique that can enhance the returns of investors and/or lenders to stimulate new development and businesses in disadvantaged areas. However, unlike other federal tax credits such as the historic preservation tax credit or Low Income Housing Tax Credits, the NMTC program does not effectively provide no-cost equity to development projects. Thus, NMTC only works for projects that are able to generate cash flow for debt service and/or a return on investment, and can use the tax credit to discount interest rates or augment that rate of return to a competitive level. Creative approaches have been developed to use NMTC on affordable for-sale housing as well as rental workforce housing¹. NMTC may be an appropriate tool for both prospective developers and new business owners in the study area to obtain by working with eligible Community Development Entities that distribute the credits.

4.5 Formulating a Financing Strategy

Formulation of a financing strategy for Plan implementation can occur after: (1) alternative or new methods of public finance to succeed redevelopment have been approved or rejected by the Legislature; and (2) more detailed information on public improvement costs has been developed pursuant to conceptual designs and cost estimates. It is anticipated that the following may be the primary sources for public funding:

- New tax increment financing (IFD)
- New affordable housing funds
- Impact fees (addition to existing improvement program or new fees)
- Grant sources, potentially including mitigation related to future BRT or LRT
- Capital improvement program
- Dedication of new sales tax revenues or sales tax reimbursement agreements

¹ Note that New Markets Tax Credits by law cannot be combined with Low Income Housing Tax Credits in the same project.

4.6 Next Steps

The implementation strategy described in this memorandum requires a number of next steps by the City after Plan adoption, as described in the preceding sections, and including but not limited to:

- Development of a more detailed financing plan, based upon refined cost estimates for all types of improvements, that matches sources of funding with how they would be used, by phase;
- Work with property owners to facilitate availability and assembly of other sites large enough for development as described in the Plan;
- Commence design work for public improvements, including cost refinements, and evaluation of opportunities for phasing and identification other funding sources;
- Provide incentives, including potential land assembly, funding for public improvements, and/or funding for parking spaces for public use, for a catalyst development project. Such a project would be one of the medium to larger projects identified in the land use plan, potentially consisting of approximately 8,000 to 20,000 square feet of ground floor uses with 30 to 70 residential units above.
- Commence targeted marketing activities shaped for different audiences, including prospective developers and prospective new retailers.

Appendix – Selected Public Improvement Funding Sources, February 2012